

Message Text

CONFIDENTIAL

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ACTION NEA-10

INFO OCT-01 AF-10 ARA-10 EUR-12 EA-07 ISO-00 FEA-01
ERDA-05 AID-05 CEA-01 CIAE-00 COME-00 DODE-00
EB-08 FPC-01 H-01 INR-07 INT-05 L-03 NSAE-00
NSC-05 OMB-01 PM-05 USIA-06 OES-07 SP-02 SS-15
STR-04 TRSE-00 ACDA-07 PA-01 PRS-01 /141 W
-----044811 022119Z /66

R 021417Z AUG 77
FM AMEMBASSY KUWAIT
TO SECSTATE WASHDC 8671
INFO AMEMBASSY ABU DHABI
AMEMBASSY ALGIERS
AMEMBASSY BRUSSELS
USINT BAGHDAD
AMEMBASSY CAIRO
AMEMBASSY CARACAS
AMEMBASSY DAMASCUS
AMCONSUL DHAHRAN
AMEMBASSY DOHA
AMEMBASSY JAKARTA
AMEMBASSY JIDDA
AMEMBASSY LAGOS
AMEMBASSY LIBREVILLE
AMEMBASSY LONDON
AMEMBASSY MANAMA
AMEMBASSY PARIS
AMEMBASSY QUITO
AMEMBASSY TEHRAN
AMEMBASSY TRIPOLI
AMEMBASSY VIENNA

C O N F I D E N T I A L KUWAIT 4307

AMEMBASSY PARIS PASS TO USMISSION OECD
AMEMBASSY BRUSSELS PASS TO USMISSION EC

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E.O. 11652: GDS
TAGS: ENRG, OPEC
SUBJECT: KUWAIT TO REDUCE ITS OIL PRICE

1. DURING WIDE-RANGING DISCUSSION WITH AMBASSADOR
AUGUST 2, KUWAIT OIL MINISTER KAZIMI REVEALED THAT KUWAIT
HAS DECIDED TO LOWER THE PRICE OF ITS EXPORT BLEND

CRUDE OIL FROM DOLS 12.37 PER BARREL TO DOLS 12.27 PER BARREL, RETROACTIVELY EFFECTIVE FROM JULY 1.

2. KAZIMI SAID THAT TRADITIONALLY KUWAIT'S CRUDE HAD BEEN PRICED 5 CENTS BELOW THE PRICE OF COMPARABLE SAUDI MEDIUM. HOWEVER, EVEN WITH THE SAUDI PRICE INCREASE EFFECTIVE JULY 1, KUWAIT'S CRUDE WAS STILL PRICED 5 CENTS ABOVE SAUDI CRUDE. KUWAITI PRODUCTION HAD FALLEN FROM 2 MILLION BARRELS A DAY TO 1.6 MILLION BARRELS A DAY IN JULY, KAZIMI SAID. AT THE STOCKHOLM OPEC MEETING, SAUDI ARABIA, IRAQ, IRAN AND KUWAIT HAD HELD DISCUSSIONS ON RESOLVING THE DIFFERENTIALS PROBLEM FOR MEDIUM CRUDES BUT HAD BEEN UNABLE TO REACH AGREEMENT.

KAZIMI SAID THAT KUWAIT HAD INFORMED IRAN OF ITS INTENTION TO LOWER ITS PRICE BY 10 CENTS AND IRAN WAS "SATISFIED" WITH THIS ACTION AND POSED NO OBJECTION.

3. KAZIMI SAID THAT, WHILE THE CABINET HAD APPROVED THE PRICE CUT, KUWAIT DID NOT PLAN TO PUBLICIZE IT, AND ITS VARIOUS CUSTOMERS WOULD BE ROUTINELY INFORMED ON AUGUST 15. (HE ASKED THAT AMBASSADOR # THIS INFORMATION CONFIDENTIAL.)

4. KAZIMI ADDED THAT HE WAS CONCERNED BY THE RECENT DECREASE IN THE VALUE OF THE DOLLAR SINCE KUWAIT'S OIL
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WAS PRICED IN DOLLARS. AMBASSADOR RESPONDED THAT CHANGE IN THE VALUE OF THE DOLLAR WAS MOSTLY THE RESULT OF REVALUATION OF THE GERMAN MARK AND THE JAPANESE YEN, REFLECTING THE STRONG PERFORMANCE OF THESE ECONOMIES AND THE PREVIOUS UNDERVALUING OF THEIR CURRENCIES. HE NOTED THAT THE MORNING RADIO NEWS HAD REPORTED A RISE IN THE VALUE OF THE DOLLAR VIS-A-VIS THE MARK AND THAT HE FELT CERTAIN THE DOLLAR WOULD REMAIN STRONG IN RELATION TO OTHER CURRENCIES, REFLECTING THE OVERALL STRENGTH OF THE US ECONOMY.
MAESTRONE

NOTE BY OC/T: #AS RECEIVED.

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